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THERE IS A TOTAL EMBARGO ON THE BUDGET MESSAGE UNTIL
12:15 P.M., MARCH 6, 1974

BUDGET MESSAGE

of

GOVERNOR DAN WALKER

to

THE 78TH GENERAL ASSEMBLY

March 6, 1974

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THERE IS A TOTAL EMBARGO ON THE BUDGET MESSAGE UNTIL
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BUDGET MESSAGE

This fiscal year 1975 budget I present to you today is an accountability budget. It is a budget that makes a start toward holding government accountable for what it has been doing and plans to do with the dollars provided this State by the taxpayers of Illinois.

It covers the dollars, of course, but it is more than a dry listing of dollars. It embodies the philosophy, the programs, the commitment of this administration.

It sets forth our objectives - a printed record of increased services to be delivered, to be measured next year against what gets done.

It is this administration's goal to provide increased services to people and, to the maximum extent possible in a time of soaring inflation, to pay for those services by cutting waste and reallocating funds from low priority areas of government.

Going beyond the executive department programs, I will submit a priority legislative program. I have in mind the desire expressed by your leadership to limit this session as much as possible to fiscal and emergency matters. Some matters demand immediate attention.

This program will include as major subjects:

1. Energy legislation. Energy is a non-partisan problem - it affects every person in this State. Jobs are threatened. Shortages of energy and heating fuel are causing inconveniences, in many cases severe hardship. And even when people finally can get enough, when they finally get to the gas pump, the price is up, way up. People are being forced to change their style of living, to give up some of their mobility, some of their fun. Solutions must be bipartisan - they must involve both sides of the aisle. There is real merit to the proposal of the Speaker of the House that a bipartisan commission be set up to recommend specific legislation. To emphasize my commitment to this bipartisan spirit, I have asked and former Governor Ogilvie has agreed to serve as Chairman of the conference on "Clean Coal, The Energy Alternative" scheduled for later this month. Because of the energy shortage, the establishment of a Regional Transit Authority in the northeastern portion of the State is more important than ever. I urge the people to vote yes on the March 19 referendum, and I urge you to continue working for its passage.

2. A few department reorganization and housekeeping matters.

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3. Consumer protection. More progress must be made.

4. Tax relief.

5. Ethics legislation. Ethics legislation. Ethics legislation. Legislation requiring key elected and appointed officials to make full disclosure of economic interests and campaign financing will surely be passed someday. It is already long overdue. The longer the delay, the greater the public frustration.

For the second consecutive year of my administration, there should be no increase in State taxes. I said there should be no increase last year. In fact there was not. I say today there is no need for any tax increase in fiscal 1975. In fact, there can be modest tax relief. I propose:

- $20 million in sales tax relief by eliminating sales taxes on prescription and non-prescription medicines.

- $6 million in real estate tax relief by extending the existing circuit breaker program to persons between 60 and 65.

The State's fiscal condition is sound. We will have a budgetary balance going into the fiscal year and we should return a portion of that to people through tax relief.

There are those who say there should be no tax relief. To them, I say - we need to keep faith with the people. We need to help reduce their tax burden whenever and however we can.

There are those who say there should be much greater tax relief. To them, I say that in this time of galloping inflation, economic uncertainty, unpredictable shortages and national crises, the State must maintain a reasonable checkbook balance to draw on in emergencies. People all over this State are trying to do precisely that. It should be no less true of government.

The program I propose is not a Democratic or Republican tax relief program. It keeps faith with the people and particularly our elderly citizens. Removal of sales taxes on prescription and non-prescription medicine has long been promised. And for just as long, it has been the elderly who spend a higher percentage of their incomes on medical services. Those between 60 and 65 will also benefit from the expanded circuit breaker program. It will give real estate tax relief up to $500 for each person over 60 and each disabled person whose real estate taxes or rent are high in proportion to income.

But, to truly attack the real estate tax problem requires, most importantly, action at the local government level.

Local taxing districts - which have received and will receive enormous sums of money from the State and federal government - should be using at least a portion of those dollars to halt increases in property taxes.

In fiscal 1975, State government will provide almost $2.5 billion to units of local government - school districts, counties, cities and townships. That's almost one-third of the budget. In addition, the federal government will provide over one-half billion dollars to local governments in this State through federal revenue sharing and direct grant programs in areas such as community development, manpower, housing and pollution control. Federal and state grants to local governments will have nearly doubled since 1971. Surely, surely, with that massive infusion of money, some of it must find its way into local property tax relief.

The citizens of this State will look to local government to stem the tide of rising property taxes. That's precisely where they <u>should</u> look. Local governments should be responsive to public desires to hold the line on taxes - just as we have been responsive to those desires at the State level.

I want to turn now to the different form that this accountability budget takes.

As I indicated earlier, specific and quantified objectives are included for most departments. There is a long way to go to quantify all objectives. Continued refinement and re-examination is needed. But, we have made a start. Let me give you a few examples from several departments:

Labor: Make 134,000 job placements; provide unemployment compensation within 14 days of the initial application in three-fourths of the cases.

Environmental Protection Agency: Issue 19,640 permits - operating and construction - which assure that new and existing municipal, industrial and commercial facilities have a feasible plan for prompt compliance with air, water and land pollution control standards.

Conservation: Improve existing state park lands with over 350 capital projects such as camp site preparation and park road building.

Business and Economic Development: Provide $174,000 in matching grants to local tourism agencies to help promote local tourism attractions.

Agriculture: Provide $347,000 in increased support for county fairs.

Public Health: Increase services to children by providing comprehensive services to 300,000 under the Medicheck program and to 4,000 infants in danger of death or disability. Provide 1,900,000 immunizations against childhood diseases.

Some of these hundreds of objectives may not be met. But, the existence of precisely stated objectives provides a continuing stimulus to departments. These publicly-stated objectives make the agencies accountable not only to me in my office but to you, to interested groups, to all the people of the State.

Now, to the numbers.

If the trend of the fiscal years 1970-1973 had continued during fiscal years 1974 and 1975, this year's budget would have been $8.6 billion. But, because of savings, reallocations and tight management controls, it is not at that level. This budget recommends appropriations of $7,886 million, an increase of $236 million over total appropriations, including deficiencies, for this year.

In total, over the past two years, the budget will have increased by a total of $261 million. This is a two-year increase of 3.4% - in spite of inflation which is expected to be, cumulatively, 14% during the same period.

These are the dollars that go to provide basic, essential services to people - for schools, health, energy, transportation. In practically all of these areas, increases are sought.

Appropriations for education are $2.5 billion, almost one-third of the budget.

For health (mental health and developmental disabilities, public health, health planning and medicaid): $1 billion.

For energy, conservation and environmental protection: $340 million.

For transportation: $1.8 billion, including over $300 million for supplemental freeways and $97 million for support of the RTA.

Just those 4 areas account for 72% of the total budget.

And there are additional increases. For example:

The Lottery: It is a source of revenue, but prizes and operating expenses totaling $63.7 million must be appropriated.

Other elected officials in the Executive Branch and the other branches of government are up $23 million.

There are thousands of people who make government work - the workers in our mental hospitals, our prison guards and many other hard-

working people. We must provide a cost of living increase for those deserving employees who are hard hit by inflation.

I am recommending $28 million, with the largest increases going to the lowest grades.

Of the total State budget, $2.46 billion - almost one-third - goes out directly to local government units, including school districts, in the form of grants. Major programs include: elementary and secondary education, state income tax revenue sharing and motor fuel tax distributions.

On top of federal revenue sharing with general purpose units of local government ($488 million for fiscal 1973 and 1974) the State will have provided $422 million of income tax revenues to these governments between 1970 and the end of the current fiscal year.

Within the guidelines established by law, many of these funds can be spent by local government units with less accountability to the State than I am requiring of state agencies - without the same degree of scrutiny which you give to those agencies. That accountability should be improved.

There are some questions in both higher and elementary and secondary education which I think should be answered:

- What steps are school boards taking - at all levels - local and State - to ensure that the increasing tax dollars they are spending do result in better education? A certain level of expenditures is necessary for quality education. But mere spending, regardless of the level of spending - is no guarantee of quality. And so long as state government permits attention to be focused on the dollars - the total and the increase - the real issue of quality will be shunted aside. But, quality is the issue: what education are our children and grandchildren getting for all those dollars?

- What steps are school boards taking to cut waste? Over a year ago, a Governor's Commission established by my predecessor recommended steps to be taken in the elementary and secondary system that could save $300 million. I support Superintendent Bakalis in his efforts to make legislative changes implementing those recommendations. The people, and you and I, are entitled to know what steps have been taken to achieve these savings and ease the burden on property taxpayers.

I remain unconvinced that all unnecessary administrative expense has been eliminated at the college and university levels or the elementary and secondary levels. In these times of shrinking dollars for family needs, we must ensure that the families of Illinois get maximum educational return for every tax dollar of educational expense.

I am pleased to report that three governmental budgeting entities - the Board of Higher Education, the Office of the Superintendent of Public Instruction and the Governor's Office are in agreement on recommended appropriations for higher and elementary and secondary education. The total for all education, including vocational, is $2.553 billion. General revenue and common school fund appropriations are $2.006 billion, an increase of $182 million. This is 72% of estimated growth in general revenue funds next year.

This increase in State support for education reflects a belief that we all share: the conviction that education is a number one priority for State government. Every dollar the State pays to support elementary and secondary education is a dollar the real estate taxpayer is saved.

This budget for elementary and secondary is up 11% over last year. This will increase to 43% the State's share of the cost of elementary

and secondary education. It is another step toward our goal of over 50%.

In higher education, it is good news that we have a rare display of unanimity in the budget process. And the budget I am submitting permits an 8% increase for operations without tuition increases. With the soaring cost of living confronting families across Illinois this year, I am opposed to any tuition increase. And we're providing additional scholarship funds - enough for scholarship help for 27,000 more students. Scholarships will be awarded to 90% of the applicants from families with incomes of $17,000 per year or less.

A word of concern about educational funding at all levels. Enrollments are leveling off - from kindergarten through college. Budgets must sooner or later reflect enrollment trends and the first responsibility for that lies with the educational boards at all levels of our school systems. And we must take a hard look, as enrollments level off, at proposals to build new school buildings.

As for teachers' retirement funding, we must do better than we have done in the past. The budget I propose will permit starting an actuarially sound program of funding. We must recognize that we have only a certain amount of dollars available for education. A dollar spent for building retirement fund assets - which already exceed $1 billion -

is a dollar not spent on education today, a dollar not spent on teacher benefits today.

And let's keep in mind that to fully fund the federal civil service system would require $68 billion; for the Social Security System, $1 trillion. Yet, no one suggests that benefits under these systems are insecure.

TRANSPORTATION

I welcome the opportunity to make my position clear on the supplemental freeway system.

We - you and I - have a commitment to the people of this State - a commitment to build the supplemental freeway system. Not a supplemental freeway system, but the system: all 1,950 miles will be built.

Next year, on the supplemental freeway system, we will:

- open the first segments to traffic.
- enter into $168 million of construction contracts.

- plan, engineer, design, conduct public hearings - and fight the red tape in Washington - so that additional segments will be ready for construction as rapidly as feasible.

In short, we're working on the whole system. And, in fiscal 1975, as well as the remainder of fiscal 1974, work of some kind - design, planning or construction - will go forward on all segments of the system.

PUBLIC AID

In Public Aid, our commitment is twofold - to assure that the needy are helped and to assure that those helped are the needy. We are making progress toward these goals. Requested appropriations are up only slightly. This will be a tough budget to meet, but I believe we can do it.

This year, for the first time since 1966, the rate of growth of the ADC recipients has slowed dramatically. In 1973, the number of recipients actually decreased in 7 of the 12 months. This turnaround reflects the strong steps which this administration has taken to eliminate ineligibles from the rolls and to prevent new ineligibles from getting on the rolls.

Until this year, Illinois had one of the most complex methods for determining the proper public aid grant of any state in the country. Over 100 factors had to be taken into account.

The result was predictable. A federal audit showed 48% of the cases were receiving an improper amount; over three-quarters of those - 37% of the total caseload - were overpayments. An additional 11.7% were ineligible altogether.

In October, the Department - with the approval of the Legislative Advisory Commission, which has a real understanding of welfare problems - moved to cut this waste and confusion by adopting the consolidated standard - the equalized flat grant. Under the consolidated standard, the amount a recipient receives is determined primarily by two factors: family size and location. In adopting this simplified grant, the Department, in view of the rising cost of living, increased the average benefit some 9% from $231 to $253.

If we add to the $253 per month average grant, the value of free food stamps and free health care, the total is $420 per month; over $5,000 per year; all tax free income.

I do not pretend that welfare grants have kept up with inflation - but neither has the take-home pay of millions of working families throughout Illinois.

There have been several additional side benefits to the equalized grants. The time of caseaides and caseworkers is no longer taken up with determining and redetermining grant levels - which had no direct benefits to the needy. Instead, they are free to provide counseling and assistance. Also, self-reliance and dignity: the recipient is no longer at the caseworker's mercy. The family can decide how to spend its money.

The program has generated controversy as all innovation does. It's doing the job, however, and it will continue.

Despite the outcries - and there have been many,

Despite the protests - and there have been some,

Despite the objections - and there have been objections, this program will continue because it will help welfare recipients.

There are two immutable facts of public aid in Illinois:

One: 80% of the families affected received more than they did under the old system; the average grant is up 9%.

Two: Illinois was the fifth highest in the nation in its average grant - before the increase under the flat grant.

Let us never forget -- the vast majority are truly needy - children, mothers who cannot work because they must care for their children, elderly, disabled.

In this time of soaring inflation, it is not easy for these people to stretch their welfare payments to buy food, clothing and shelter.

We should provide more help. They have a daily struggle. It is getting harder as prices go still higher. To provide help and hope to these less fortunate citizens, this public aid budget includes a cost of living increase.

MENTAL HEALTH AND DEVELOPMENTAL DISABILITIES

As a result of increased appropriations and reallocations within the Department, funds for patient care are substantially increased, particularly for the developmentally disabled.

In fiscal 1975, there will be more personnel involved in direct patient care. The elimination of unnecessary positions has been virtually completed.

No institutions will be closed during fiscal 1975; four will be opened or expanded.

This administration does not propose and is opposed to any program of increased real estate taxes to pay for programs now being provided by the State.

Over the past ten years, throughout the nation and in Illinois, there has been general recognition that institutionalizing a human being should be viewed as a last resort. It is far preferable for an individual to receive care, treatment and rehabilitation in his community. Moving persons from institutions to a community setting is not a new program, but it is a sound program, and it must be done right.

To be certain that the community-based agencies involved in our mental health programs were providing effective services, the Department initiated an intensive grants review process. Each agency was required to justify its grant request by specific objectives in terms of programs offered and people helped. No agency was entitled to a grant simply because it had received one in the past year. Better accountability and tighter management were required.

Every community agency which offers a program meeting Department standards will be funded this year. And more programs will be funded next year. Our goal is to expand - as rapidly as feasible - the State's support of quality programs in the community.

I said quality programs, and I cannot emphasize that concept enough. We must not make here the mistake that some have made in foreign aid, for example - the mistake of equating more spending with providing more help to people. It doesn't always happen that way.

I have been surprised at those who argue that we should dispense grants hastily and without careful review. We will not pass out taxpayer's money like some philanthropist giving away his wealth, and we will not let the recipient agencies set the standards - any more than we would let the highway contractors tell us what roads to build where. The taxpayers - and this General Assembly - are entitled to know that public money is being spent on quality programs - programs which truly help people in need of help.

The Department changed its name and reorganized internally in order to more effectively provide services to the developmentally disabled. These efforts will continue in 1975. Specific objectives include making Jacksonville State Hospital a residential facility for about 180 developmentally disabled, many of whom will be transferred from Lincoln in order to be closer to their families. This year, Kankakee State Hospital is being changed into a developmental disabilities facility serving 800; the Ludeman Center will become fully operational; and the Howe Center is being opened. Next year, the Howe Center will become fully operational and the

Waukegan Developmental Center will be opened. Another objective is establishing a 1 : 1 ratio of total staff to residents at Lincoln and Dixon.

A major project for 1975 will be our commitment to a new, modernized Mental Health Code. A special committee is already at work on the project. We will have a blueprint for what is good, humanitarian and above all, hopeful for those among us who require care, treatment and rehabilitation.

CHILDREN AND FAMILY SERVICES

A new spirit enfuses the Department of Children and Family Services. The Department now has the exuberance of a young parent that cares - and cares deeply - about its kids - the wards entrusted to its care.

Children are a group that do not, that really cannot, speak up for themselves. They are relatively powerless. Their legal rights are frequently lost and their desires ignored.

That is why we found over 800 children shipped out of State, often to substandard institutions.

No longer will children be sent out of State or ignored. No longer will the Department cut and run when a youngster gets in trouble - for that is when parents are needed most. No longer will these children be without a voice - for the Department will be their advocate.

This change in spirit, in philosophy, is reflected in the emphasis on finding alternatives to institutional care. A child has a much better opportunity to develop normally in a home environment than in an institution. If the youngster's natural home is not satisfactory, if it is not safe, then alternative forms of home living - foster homes, adoptive homes, group living - are sought.

This shift in emphasis means a changing role for the community agencies which contract with the Department. There will be a decrease in institutional care - but an increase in non-institutional services which are intended to help keep a child with his natural family or help him adjust to another home environment in the community. With this philosophy, the community-based agencies have a larger, not a smaller, role in child care. They will get the State support necessary for this expanded role.

All these changes in policy initiated by these various Departments during the past year have produced concern - even agitation - on the part of employees and interest groups.

The directors of these departments - Public Aid, - Joel Edelman; Mental Health and Developmental Disabilities, - Lee Levitt; Children and Family Services, - Jerry Miller - are professionals totally dedicated to the people they serve. They have been attacked - I think unfairly. I support them, I applaud them. And I know I am joined by many - not as vocal as the protesters - who feel as I do.

It is always easy to maintain the status quo, particularly with agencies public and private that have a stake in things as they are. Change and innovation bring controversy - but without change, government too frequently becomes unresponsive to the real needs of the people it serves. We are committed to those people, to the future of each one. We will not turn back.

This budget recognizes and accommodates the soaring inflation which affects each one of us. It provides the resources necessary for vital services. It also helps people in their battles with inflation. For example:

- Teachers will benefit from increased support for education at all levels - which should help provide salary increases.

- Real estate taxpayers will benefit from increased state funds for education.

- Parents who are struggling to send their children to school should benefit from the decision to deny tuition increases and increase scholarship funds.

- State employees and welfare recipients will benefit from cost of living increases.

- Those who are ill will benefit from expanded State programs.

But helping these people is not enough. We should also keep faith with the largest group of all - the taxpayers of Illinois. We can do that by providing modest tax relief and at the same time increasing services to people. That is the message of this budget and the mission of this administration.